



## The Role of Corporate Social Responsibility

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### ABSTRACT

The Corporate Social Responsibility is the commitment of the corporate for the equitable growth & sustainable development of the society. Under the new Companies Act, 2013, passed by Parliament in August 2013, profitable companies will have to spend at least 2 per cent of their average net profit over the preceding three years on CSR activities

CSR basically is a corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare. The idea of corporate social responsibility (CSR) is based on voluntary responsibility of companies for their operations in economic, social and environmental spheres as well as for ethical behavior. Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change. CSR generally applies to company efforts towards various social welfare initiatives for the benefit of stakeholders (employees, customers), and the community at large. Now a day in India CSR has gone beyond merely "Charity & Donation" and has become an integral part of corporate strategy. Many leading corporate have realized the importance of being associated with socially relevant cause as a means of promoting their brands and a new tool to compete in the market

### KEYWORDS

Corporate social responsibility, sustainable development, business, trend, Companies act 2013.

### Introduction

As the world is shrinking due to globalization the concept of Corporate Social Responsibility (CSR) has acquired an undeniably high degree of relevance and scope in a large number of sectors. The significance of CSR emerged considerably in the last decade and is becoming an increasingly important activity to businesses nationally and internationally. Over the time, CSR stretched to both social and economic interests and also broadened to cover social as well as economic interests. Companies now become more transparent in accounting and other activities due to pressure from the various interest groups of the society. New laws make it mandatory for companies to behave in ethical and responsible manner towards the various interest groups of the society and environment. Companies started incorporating their CSR projects in their annual reports also.

There is today a growing perception among enterprises that sustainable business success and shareholder value cannot be achieved solely through maximizing short-term profits but instead through market-oriented yet responsible behavior, Mahajan (May 2011). Companies are aware that they can contribute to sustainable development by managing their operations in such a way as to enhance economic growth and increase competitiveness whilst ensuring environment protection and promoting social responsibility, including consumer interest.

Corporate social responsibility (CSR) is about how businesses align their values and behavior with the expectations and needs of stakeholders – not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR demands that businesses manage the economic, social and environmental impacts of their operations to maximize the benefits and minimize the downsides.

Thus Companies now are setting up specific departments and teams that develop policies, strategies and goals which are for their CSR programs and assign separate budgets to support them. These programs are based on well-defined social beliefs or are carefully aligned with the companies' business domain. In the modern era, the new generation of corporate leaders considers optimization of profits as the key, rather than the

maximization of profit.

The CSR concept was first explained in 1953 in the publication of "Social responsibilities of businessman" by William J. Bowen. The concept of CSR however became popular in the 1990s. With the start of 21st century in India the term CSR has been seen coming to the forefront for discussion. In present times, the Corporate Social Responsibility has emerged as a significant feature of business philosophy, displaying the impact of business on society in the context of sustainable development. The new and focused perspective on corporate social responsibility reflects on the responsibility towards all stakeholders: suppliers employees, government, shareholders, creditors, and community rather than only on maximization of profit for shareholders. CSR not only consist of various business regulatory compliance, but it also leads to the activities making business successful through balanced, voluntary approaches to social, cultural and environmental issues in a way that is helpful to the society.

### DEFINING CORPORATE SOCIAL RESPONSIBILITY

The European Commission's definition of CSR is: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

According to CSR Asia, "CSR is a company's commitment to operating in an economically, socially and environmentally sustainable manner whilst balancing the interests of diverse stakeholders." The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities.

Business dictionary defines CSR as "A company's sense of responsibility towards the community and environment (both ecological and social) in which it operates. Companies express this citizenship (1) through their waste and pollution reduction processes, (2) by contributing educational and social programs and (3) by earning adequate returns on the employed resources."

One of the most contemporary definitions has been put forward by the World Bank Group, stating, "Corporate social re-

sponsibility is the commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development.”

### Objectives

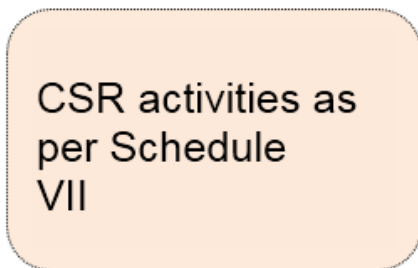
To study the rules governing CSR in India.

To study current best practices of CSR in India.

To study the trends of CSR.

Research Methodology: The paper is descriptive in nature and based on the information collected from various secondary sources including journals, articles, newspapers and various research based website as well as on my conceptual understanding.

### CSR activities to include:



Eradicating hunger, poverty and malnutrition, promoting healthcare, including preventive healthcare and sanitation, contributing to the 'Swachh Bharat Kosh' set-up by the central government for the promotion of sanitation and making available safe drinking water.

Promoting education, including special education, and employment enhancing vocation skills, especially among children, women, elderly and the differently abled, along with livelihood enhancement projects.

Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the central government for rejuvenation of the river.

Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts.

Measures for the benefit of armed forces veteran, war widows and their dependents.

Training to promote rural sports, nationally recognized sports and Olympics.

Contribution to the Prime Minister's national relief fund or any other fund set up by the central government for socio-economic development and relief and welfare of the scheduled castes, scheduled tribes, other backward classes, minorities and women.

Contributions or funds provided to technology incubators located within academic institutions which are approved by the central government.

Rural development projects.

Slum area development.

### CSR rules provide for the following:

'Net Profit' for the section 135 and these rules shall mean, net profit before tax as per books of accounts and shall not include profits arising from branches outside India

Reporting will be done on an annual basis commencing from FY 2014-15

Tax treatment of CSR spend will be in accordance with the IT Act as may be notified by the Central Board of Direct Taxes (CBDT)

CSR activities may generally be conducted as projects or programmes (either new or ongoing) excluding activities undertaken in pursuance of the normal course of business of a company

The CSR Committee shall prepare the CSR Policy of the company which shall include the following:

specify the projects and programmes to be undertaken

prepare a list of CSR projects/programmes which a company plans to undertake during the implementation year, specifying modalities of execution in the areas/sectors chosen and implementation schedules for the same

CSR projects/programmes of a company may also focus on integrating business models with social and environmental priorities and processes in order to create shared value

surplus arising out of the CSR activity will not be part of business profits of a company

would specify that the corpus would include 2 percent of the average net profits, any income arising there from, and surplus arising out of CSR activities

Where a company has been set up with a charitable objective or is a Trust/Society/Foundation/any other form of entity operating within India to facilitate implementation of its CSR activities, the following shall apply:

contributing company would need to specify the projects/programs to be undertaken by such an organisation, for utilizing funds provided by it;

contributing company shall establish a monitoring mechanism to ensure that the allocation is spent for the intended purpose only

CSR which has largely been a voluntary contribution by corporate has now been included in law

There is a debate as to whether any penal consequences will emanate on failure to spend, or an explanation in the directors' report on the reasons therefore are only warranted

There may be reluctance in compliance, especially in case of companies which are not profitable, but fall under the designated category due to triggering net worth or turnover criteria

It is not clear what all constitutes CSR activities as the list specified under Schedule VII of the Act seems like an inclusive list and not exhaustive

A company may also implement its CSR programs through not-for-profit organizations that are not set up by the company itself. Such spends may be included as part of its prescribed CSR spend only if such organisations have an established track record of at least three years in carrying out activities in related areas

Companies may collaborate or pool resources with other companies to undertake CSR activities.

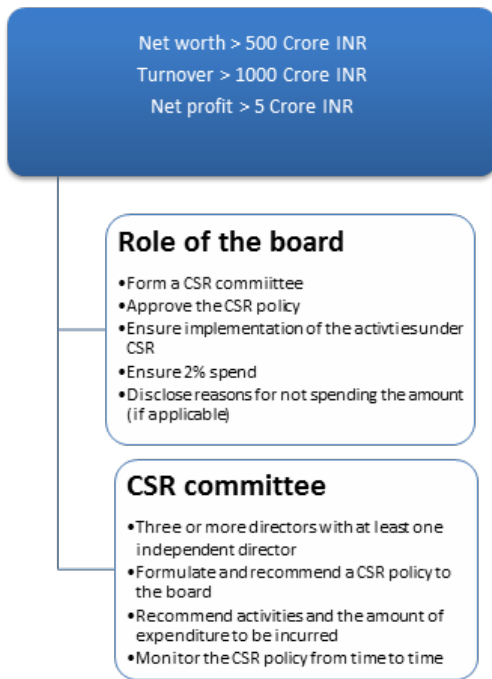
Only such CSR activities will be taken into consideration as are undertaken within India

Only activities which are not exclusively for the benefit of employees of the company or their family members shall be considered as CSR activity

Companies shall report, in the prescribed format, the details of their CSR initiatives in the Directors' Report and in the company's website

The CSR provisions under the 2013 Act require a minimum of 3 directors for the constitution of the CSR committee, clarification needed as to whether qualifying private companies would be required to appoint a third director to comply with the CSR provisions

As per the Act, companies with a net worth of INR500 crore or more, or a turnover of INR1,000 crore or more, or a net profit of INR5 crore or more in a given fiscal year shall constitute a CSR committee.



**TRENDS OF CSR IN INDIA**

PHASES	PERIOD	YEAR	NATURE OF CSR
I.	<b>Pre-industrialization</b>	1800	CSR activities were Undertaken in the form of <b>philanthropy with religious belief.</b>
II.	<b>Pre-industrialization</b>	1800-1914	CSR activities were undertaken in the form of donations with social <b>welfare objectives</b>
III.	<b>Industrialization</b>	1950-1980	CSR activities were undertaken in the form of responsible behavior with <b>progressive approach</b>

IV.	<b>Post industrialization</b>	1980-until today	CSR activities are being performed in various forms by keeping in view <b>Multi-stakeholders benefit.</b>
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**Top 10 Companies for CSR In India**

Ranking	Indian Company	Best practice
1.	Mahindra & Mahindra	<b>'Nanhi Kali'</b> -focuses on educating the girl child. <b>Mahindra Pride Schools</b> provide livelihood training to youth from socially and economically disadvantaged communities and have trained over 13,000 youth in Pune, Chennai, Patna, Chandigarh and Srinagar. M&M sponsors the <b>Lifeline Express trains</b> that take medical treatment to far flung communities. <b>Project Hariyali</b> , which has planted 7.9 million trees till date, including four million trees in the tribal belt of Araku Valley. M&M has constructed 4,340 toilets in 1,171 locations across 11 states and 104 districts specifically for girls in government schools as part of Swachh Bharat Swachh Vidyalaya. Expenditure on CSR in the last fiscal was Rs 83.24 crore — 2% of PAT.
2.	Tata Power	<b>'Act for Mahseer'</b> , a conservation initiative started in 1975 for saving endangered species. Education, environment, community development, health, safety, security, resource and energy conservation, women empowerment, skill development and livelihood generation. Its total CSR spending in <b>FY15</b> stood at <b>Rs 31.1</b> crore as against the 2% of PAT requirement of Rs 29.8 crore. Further, the CSR spending of subsidiaries and joint ventures of the company was Rs 18.2 crore as against the requirement of Rs 17.2 crore.
3.	Tata Steel	<b>Maternal and Newborn Survival Initiative (MANSI)</b> , a public-private initiative, is being implemented in 167 villages of the Seraikela block of Jharkhand's Seraikela-Kharsawan district since 2009 . The project goals are to reduce child and infant mortality. MANSI has achieved improvement in all process and outcome indicators, such as reduction in neonatal mortality by 32.7%, reduction in infant mortality (up to the age of one year) rate by 26.5%, increase in institutional delivery from 58% to 81% Total spending in 2014-15 on CSR was Rs 171.46 crore, which is 2.04% of the average net profit of the last three fiscals. Education, healthcare, facilitation of empowerment and sustainable livelihood opportunities, preservation of ethnicity and culture of indigenous communities and sports.
4.	Larsen & Toubro	L&T's participates in building a healthy community through continuing initiatives in several areas of healthcare, with a focus on mother & child care and <b>HIV/AIDS awareness.</b> L&T recently committed to the construction of 50 check dams in <b>Talasari block of Palghar district in Maharashtra</b> , taking the total number of check dams constructed over the years to 150. This will benefit over 75,000 villagers. In 2014-15, L&T spent Rs 76.54 crore on CSR, amounting to 1.44% of the average net profit for the preceding three years.

5.	<b>Tata Chemicals</b>	' <b>Save the Whale Shark Campaign</b> ', started in 2004, aims to spread awareness about the whale shark, the world's largest fish, which was fast depleting because of slaughter by fishermen along the Gujarat coast for export. Conservation of whale shark-a rare species. In the FY 15, it spent Rs 12.76 crore on CSR, amounting to 2.93% of standalone PAT.
6.	<b>Tata Motors</b>	<b>Learn, Earn and Progress (LEAP)</b> for mechanic motor vehicle training, a year-long programme where theoretical learning is supplemented through 'on-the-job' exposure at service centres. It spent Rs 18.62 crore on CSR in 2014-15, despite reporting a net loss.
7.	<b>GAIL</b>	GAIL has established <b>GAIL Institute of Skills (GIS)</b> which addresses the issue of unemployment and skill gap, by providing job-linked skill training to local youth of communities in and around its areas of operation. Through GAIL Utkarsh, the company has helped over 500 students from economically backward communities join India's premier engineering institutes. They are provided residential coaching programmes and given monthly scholarships once they get into IITs/NITs. In FY 15, it spent Rs 71.89 crore, or 1.21% of the average net profit of the last three years.
8.	<b>Bharat Petroleum</b>	Quality education (strengthening primary, secondary education and empowering teachers), water conservation, skill development (employment linked skill training to the underprivileged with an inclusive approach for women, unemployed youth and persons with disabilities), health/hygiene and rural development. <b>Project BOOND</b> , which has evolved from the construction of rain water harvesting structures to making villages drought-free. It began with four villages in <b>Maharashtra</b> . In <b>2014-15</b> , <b>40</b> villages were made water positive by creating <b>7 crore</b> litres of water, benefitting over <b>5,500 families</b> .
9.	<b>Infosys</b>	It mainly works towards removing malnutrition, improving healthcare infrastructure, supporting primary education, rehabilitating abandoned women and children and preserving Indian art and culture. <b>Mid-day meal program</b> , an initiative in partnership with the <b>Akhaya Patra Foundation</b> , spans several states across India.
10.	<b>Jubilant Life Sciences</b>	It focuses on <b>elementary education</b> , improving health indices, employability and promoting social entrepreneurship. To reduce <b>malnourishment</b> in children, JBF has proposed to develop an effective and affordable platform for real time growth monitoring process for improving the nutritional intake and status of children under five years through focused expansion of home fortification and promotion of breastfeeding in village communities.

### Conclusion

CSR holds a very important place in the development scenario of India today and can create as an alternative tool for sustainable development. As companies have shown great concerns for their immediate community and the stakeholders, it can be safely concluded that much of the fate of society lies in the hands of the corporate. A successfully implemented CSR strategy calls for aligning these initiatives with business objectives and corporate responsibility across the business principles to make CSR sharper, smarter, and focused on what really matters. And it can be concluded that Social corporate responsibility and the maintenance of high ethical standards is not an option but an obligation for all business.

### As society is getting more concerned about the working policies of the companies. Society

expectations are increasing towards the social development by the companies. So, it has become necessary for the companies to practice social responsibilities to enhance their image in them society. Even though companies are taking serious efforts for the sustained development, some critics still are questioning the concept of CSR. CSR is not a tactic for brand building; however, it creates an internal brand among its employees. Indulging into activities that help society in one way or the other only adds to the goodwill of a company. Corporate Social Responsibility is the duty of everyone i.e. business corporations, governments, individuals because of the reasons: the income is earned only from the society and therefore it should be given back; thus wealth is meant for use by self and the public; the basic motive behind all types of business is to quench the hunger of the mankind as a whole; the fundamental objective of all business is only to help people. CSR cannot be an additional extra - it must run into the core of every business\_ ethics, and its treatment of employees and customers. Thus, CSR is becoming a fast-developing and increasingly competitive field.

To conclude CSR as a business imperative must not be accepted grudgingly or half heartedly. Instead, it must be practiced with full vigor and straight from the heart passion and this certainly helps the companies in the long run meaningful impact on society and its future is bright in coming years. After all, business is by the people, for the people and of the people.

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